

Utility Enterprise Funds

Sewer Fund..... A-72

Water Fund.....A-73 thru A-74

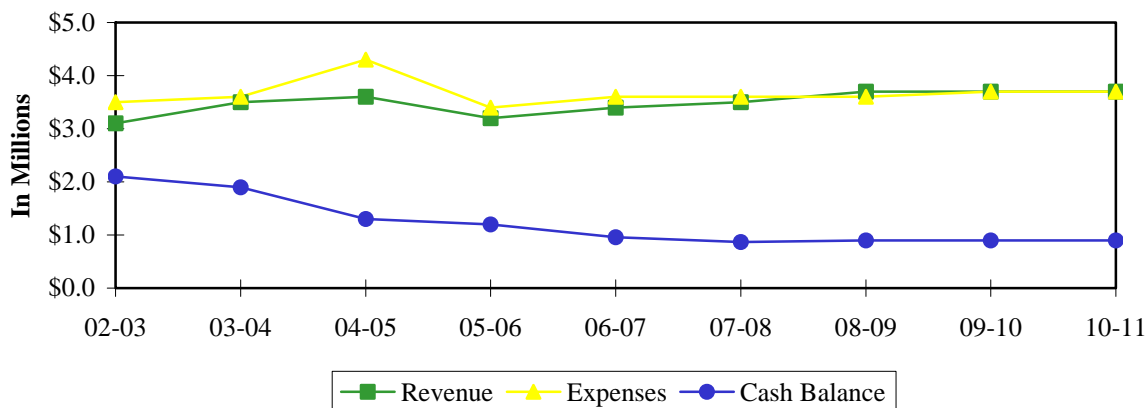
Sewer Fund

The City's sewer fund remains financially sound. Sewer cash reserves are projected at \$1,358,084 in FY04-05 and should stabilize at approximately \$1,000,000 within the next few years. In terms of system expenditures, treatment costs have modestly increased, and capital costs have increased substantially. We anticipate rate increases in the coming years, as connection fee revenue will be reduced when construction slows down.

In FY04-05, we budgeted the following:

- Water rate increase results in corresponding increase in sewer rate
- No increase connection in fees; due to continued construction, revenues from connection fees increase
- Modest increase in sewage treatment costs, up \$97,099 to \$2,039,075
- Total CIP projects of \$925,660; include continuation of sewer relining, rehabilitation of exposed sewer lines at stream crossings, sewer manhole and pumping station replacement, and evaluation of trunk main system to assess rehabilitation needs

Sewer Fund Revenue, Expenditures, Cash Balance
FY02-03 to FY10-11



FY04-05 Sewer Fund Revenues = \$3,632,234

FY04-05 Sewer Fund Expenditures = \$4,358,313

Water Fund

The City's water system continues to face challenges due to its small size, limited revenue growth opportunities and age. Based on a comprehensive study of the water treatment plant and reservoirs, this year a number of capital projects are being initiated as part of a long-range master plan. The City's agreement with Loudoun County also expires in 2007. A consultant has been retained to assist the City in positioning itself for upcoming negotiations with Loudoun County regarding any expansion in capacity and future rates.

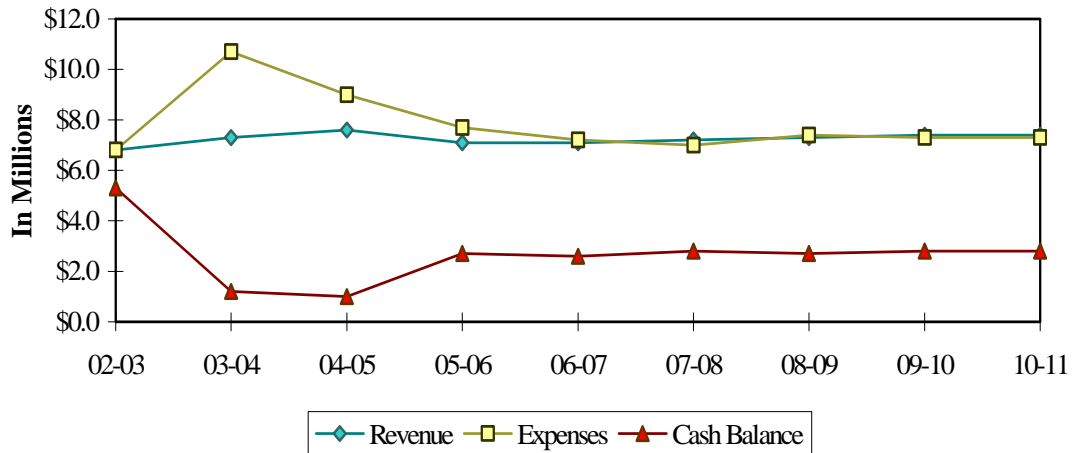
As has been projected for a number of years, in FY 04-05 a 5 percent rate increase is necessary to balance revenues with programmed expenditures and also maintain a reasonable cash balance in the Water Fund. Both of these factors are important in maintaining the City's favorable bond rating as well as the financial integrity and long-term stability of the system.

*Water Rates Increase 5%;
City's Rates are Next to
Lowest in the Area*

The FY 04-05 Water Fund budget includes the following:

- 5% increase in water rates; despite increase City rates remain next to lowest in area jurisdictions and do not include the summer peak usage charge levied by other systems.
- No increase in connection fees; due to continued construction, fees decrease to \$449,507.
- Retail sales increase to \$5,026,696 and wholesale sales increase to \$2,052,045, up 8 percent over FY 03-04
- Total CIP projects of \$1,878,500; projects include transmission main rehabilitation, construction at Beaver Dam Reservoir, water main replacement, upgrades and system improvements at the water treatment plant and system infrastructure maintenance.
- Two additional positions at the water treatment plant to conform with federal OSHA regulations regarding maintenance and operations; will allow more preventive maintenance and reduce overtime expenditures.
- An outstanding loan for school renovation design; the loan disbursement is not reflected in the system's cash balance as it is scheduled to be repaid through bond proceeds.

Water Fund Revenue, Expenses, Cash Balance FY02-03 to FY10-11



2004 Residential Water/Sewer Bill Comparison (for 20,000 gallons per quarter)

Jurisdiction	Cost
Prince William County	\$ 137
Vienna	130
Town of Leesburg	126
City of Manassas	125
Loudoun County	120
Herndon	119
City of Fairfax	114
Fairfax County	94

Note: The above water systems other than the City of Fairfax also charge a higher Rate during summer/peak usage times; the City's water rate remains the same year round.

FY04-05 Water Fund Revenues = \$7,620,288

FY04-05 Water Fund Expenditures = \$9,022,463
